2003
2004
ANNUAL REPORT

MDA
materials
distribution agency

7-1715 St. James Street Winnipeg, MB
A Special Operating Agency of
the Manitoba Government

105-00026/

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Minister's Letter of Transmittal

MINISTER OF TRANSPORTATION
AND GOVERNMENT SERVICES

July 14, 2004

The Honourable John Harvard
Lieutenant Governor of Manitoba
Room 235, Legislative Building
Winnipeg MB R3C 0V8

May It Please Your Honour:

I have the privilege of presenting the Annual Report of Materials Distribution Agency (MDA) for the year ending March 31, 2004.

This report marks the completion of MDA's 30th year of providing the Province and the broader public sector with high quality, cost-effective centralized materials management services. MDA continues to show its core competencies strength by increasing its warehousing and distribution services for all area of the government.

In 2003/04, MDA completed its move to the new site at 1715 St. James Street and began development of its upgraded computer system. MDA continues to shine as an innovative Special Operating Agency of the Manitoba Government.

Respectfully submitted,

Ron Lemieux
Minister Responsible for
Materials Distribution Agency

Deputy Minister's Letter of Transmittal Deputy

Manitoba

Deputy Minister of
Government Services

332 Legislative Building
Winnipeg MB R3C 0V8

Telephone: (204) 945-4414
Facsimile: (204) 945-1857

July 14, 2004

Honourable Ron Lemieux
Minister Responsible for the
Materials Distribution Agency
Manitoba Transportation and Government Services
Room 203, Legislative Building
Winnipeg MB R3C 0V8

Dear Mr. Minister:

I am pleased to submit the eleventh Annual Report of Materials Distribution Agency (MDA) for the year ending March 31, 2004.

In 2003/04 MDA experienced tremendous growth in the services it provides to Employment and Income Assistance Program (EIA). MDA has assumed the responsibility of providing purchasing, distribution and tracking duties that reduces the government agencies cost and administrative workload.

MDA has also completed two years distribution and warehousing of textbooks for the Manitoba Textbook Bureau (MTBB). MTBB has indicated that MDA has drastically improved its order turnaround time, accuracy and client satisfaction over its previous service provider.

I commend the commitment and hard work of the staff and managers of MDA who constantly work to improve the organization of which the government can be very proud.

Respectfully submitted,

Gerry Berezuk
Deputy Minister of Government Services
Chairperson of MDA Advisory Board

COO's Letter of Transmittal

MDA
materials
distribution agency

July 14, 2004

Chief Operating Officer's Report

I am pleased to submit Materials Distribution Agency's eleventh Annual Report and my enthusiasm and appreciation for the organization continue to grow.

Civil servants are trusted to provide needed services and to carefully watch over spending. MDA staff meets this challenge by ensuring our clients get supplies in an easy, cost-effective way. Last year, MDA had massive challenges and still made significant progress in all areas of its operations.

By May 1, 2003, MDA completed its planned move to 1715 St. James Street – consolidating operations under one 76,000 square foot roof. In 2003/04 IT, Marketing and Customer Service staff all worked to bring in the new version of Great Plains 7.5 which MDA planned to implement by May 1, 2004.

We are trying to make all aspects of employee work life better from ergonomic assessments to staff participation in activities. I am very thankful for all the help we have had from the Human Resources Branch as we develop core competencies.

Our new Call Centre phone system enables our elderly and ill customers to talk to a person, not a machine. Our technicians have improved the response time for repair and maintenance of medical equipment. All government programs have noticed that MDA orders are delivered within 48 hours. Our partnerships with the Manitoba Textbook Bureau and Employment and Income Assistance Program continue to flourish as we exceed their service expectations.

The managers at MDA know we can do even better. We envision a MDA that is the one stop shop for government distribution and inventory service. We offer excellent value for money and integrated efficient services.

I thank everyone here who contributes to MDA's success. This year, though, I want to especially thank the wonderful management team. They all bring incredible skills, hard work, creativity and leadership to this organization.

Thank you all so very much,

Susan Boulter
A /Chief Operating Officer

AGENCY STAFF

AILYN ALMENDRAL ▫ WAYNE BELL ▫ DAVE BISHOP ▫ VAL BODNAREK ▫ TAMARA BOEHM ▫ SUSAN BOULTER ▫ RHONDA BOYD ▫ BRAD BRUCE ▫ KATHLEEN BURR ▫ NEIL BRETZ ▫ BOB BRYK ▫ PAUL BUORS ▫ VERALYNNE CAMERON ▫ ED CORLETT ▫ GEORGE DELORME ▫ RICK DUCHARME ▫ KATHY DEMCHUK ▫ DOUG DUECK ▫ SCOTT DUECK ▫ TODD EISNER ▫ JEAN ELLIS ▫ BECKY FLEURY ▫ JASON GAUNE ▫ GARRET GILCHRIST ▫ WILF GENAILLE, ▫ GAIL GILARSKI ▫ KIM HOOPER ▫ DOUG GORDON ▫ ROB GRANT ▫ JOEL HERSHFIELD ▫ PETER HORROCK ▫ JUDY JOHNSTONE ▫ ROGER JUBINVILLE ▫ SANDRA KIRKPATRICK ▫ DARREN KOMONKO ▫ PAULETTE KOSHELUK ▫ GARRY KOSHELUK ▫ CHANTAL LAMBERT ▫ ART LAMBLIN ▫ ROGER LaROCQUE ▫ MONIQUE MacLEAN ▫ IHOR MELNYCHUK ▫ MIKE MISURAK ▫ CINDY MULVENA ▫ ROBERT NICHOLLS ▫ TED NORRINGTON ▫ DAVE PEPPIN ▫ CHRIS PETELESKI ▫ ED PIDWINSKI ▫ LEE POMFRET ▫ PERRY RACCIO ▫ JOANNA RENNICKS ▫ PETER ROBERTS ▫ CARLOS RODRIGUEZ ▫ CHRIS SAVOIE ▫ TRACEY SAVOIE ▫ DAVID SAWYER ▫ BRAD SERAFIN, ▫ MURRAY SPENCE ▫ STEPHANIE STARR ▫ VICKI STEVENS ▫ BYRON ST. HILAIRE ▫ DAN THAGARD ▫ MARGAREDA VIVEIROS ▫ LOUIE WILLMAN ▫ ROSE WOWRYK ▫

BACKGROUND

Materials Distribution was created in 1974, to provide the government with centralized materials management for government departments, boards, commissions and agencies. By utilizing economies of scale, the organization was established to provide lower overall costs in materials management. The Agency's mandate is to cost-effectively meet the supply requirements of this wide spectrum of organizations within the broader public service.

In 1993, the Materials Distribution Agency (MDA) was established as a Special Operating Agency (SOA) under the *Special Operating Agencies Financing Authority Act*. In Manitoba, an SOA is an operational organization within a government department. The Charter and the Schedule of Delegated Authorities defines the Agency's accountability relationships. These framework documents lay out target commitments for service levels and financial performance.

The SOA concept reflects government's desire to support improved service to clients; increased latitude for innovation; empowerment of staff; better management of people; and clearly defined accountability for results. MDA has more direct responsibility for results and additional flexibility regarding staffing, capital investments, rate setting, financial systems and accounting procedures.

Every year, MDA must prepare a business plan that provides a blueprint for the activities, revenues and expenditures for the upcoming year. Once approved, the Agency is required to provide quarterly and yearly reports on progress against those goals.

AGENCY STRUCTURE

The Chief Operating Officer manages the day-to-day operations and reports to the Assistant Deputy Minister, Supply and Services Division of Transportation and Government Services. The Chief Operating Officer provides plans and reports to the Agency's Advisory Board for review, to the Minister of Transportation and Government Services and Treasury Board for final approval.

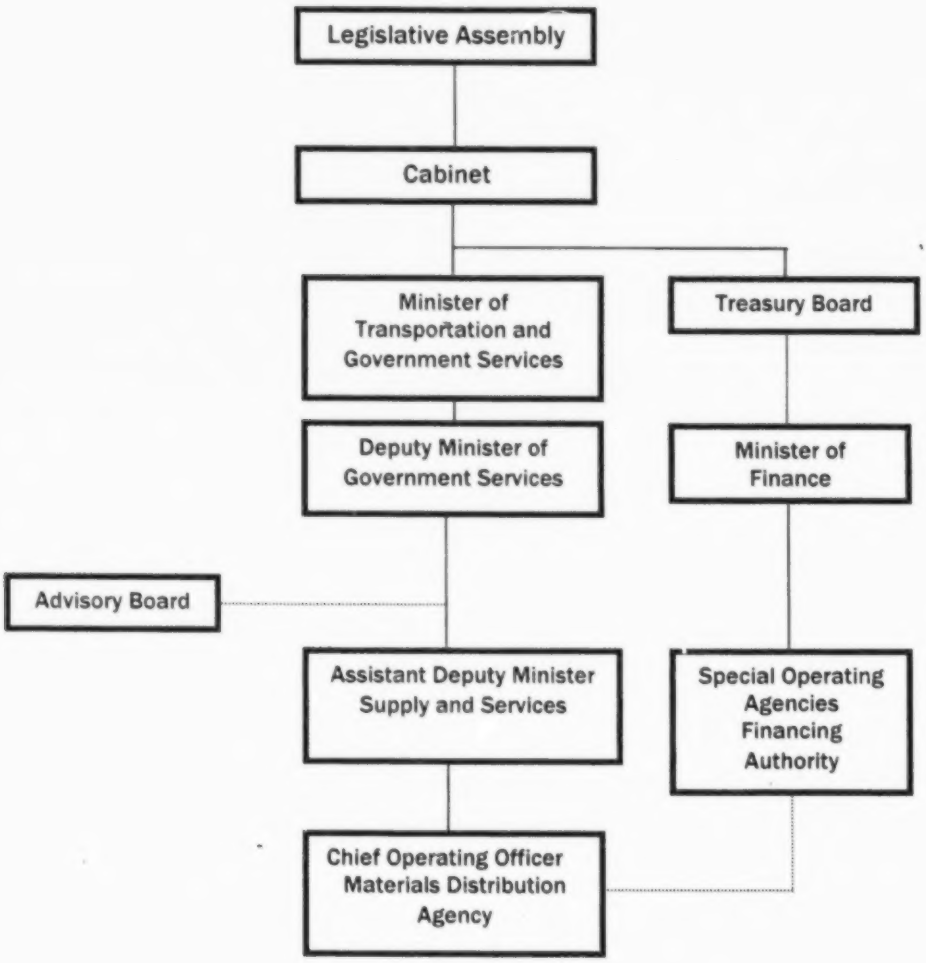
The members of the current Advisory Board are:

CHAIR	**Gerry Berezuk** Deputy Minister Government Services	
MEMBERS		
Private Sector Representative	**Mr. Randy Manikel** RIO Management and Consulting	
Client Representatives	**John Hosang** Assistant Deputy Minister Manitoba Transportation and Government Services	**Mr. David Wooton** Assistant Deputy Minister Manitoba Conservation
Ex Officio	**Tracey Danowski** A/Assistant Deputy Minister Manitoba Transportation and Government Services	**Susan Boulter** A/Chief Operating Officer Materials Distribution Agency
Staff Representative	**David Peppin** Storekeeper Materials Distribution Agency	

The primary duties of the Board are to:

- Offer advice on the Agency's strategic direction and objectives, performance, business practices, marketing strategies, management and financial reporting requirements;
- Review the Agency's quarterly financial reports, Annual Business Plan, Annual Report and any proposed changes to the Agency Charter; and
- Offer support regarding private, public and client sector issues and initiatives.

The following chart shows how MDA fits into the government structure:



MDA MISSION STATEMENT

We are a dynamic logistics organization committed to providing valued products and innovative services within the public sector.

FOUNDING PRINCIPLES

- Excellence in Customer Service;
- Commitment to Team work;
- Dedication to Continuous Improvement; and
- Flexibility to meet Customer Needs.

OPERATING VALUES

MDA supports its mission statement with the following operating values that are the cornerstones of the operation:

To provide Customers with:

- Products and services at the lowest possible cost to meet their needs;
- Value-added supply, transportation, storage and disposal services tailored to suit their specific requirements; and
- Lasting and mutually satisfying business relationships.

To work with Suppliers and:

- Develop enhanced relationships with suppliers by ensuring the widest possible access to market their products.

To support Sustainable Development and Environment initiatives by:

- Continuing as a good corporate citizen by complying with all laws and regulations, participating in co-operative initiatives in the best interest of our customers and promoting measures to eliminate or minimize risks to the environment;
- Evaluating and offering environmentally responsible products to our clients and actively promoting those products through a sustained and dynamic communication strategy;
- Promoting the Government of Manitoba's sustainable development's policy through "green purchasing;" and
- Identifying and using "green" products in day-to-day operations.

To create a positive and vibrant environment for MDA's Workforce where:

- Employees continually strive for excellence and are recognized for this effort;
- Management recognizes the importance of its workforce and provides a respectful and safe work environment for all employees with clear objectives, challenging performance goals and direction;
- Recognition programs are developed to encourage, support and acknowledge significant individual and team efforts of employee accomplishments;
- Input vehicles are created to encourage and integrate innovative ideas and individual creative thought; and
- MDA continually invests in employees, providing opportunities for increased training, development and to continually challenge staff to greater levels of accomplishment.

PRODUCTS

MDA purchases and sells a variety of stocked items and these distinct product lines and services are listed below:

Commodities	Line Items
Stationery and Office Supplies	1,118
Janitorial Supplies	364
Laboratory, X-ray, Ultrasound & ECG Supplies	319
Home Care Consumables	572
Home Care Equipment	244
Reproductive Health Supplies	45
Office Furnishings and Furniture	85
Ostomy Consumables	451
MB Health Brochures	202
Employment & Income Assistance Consumables	331
Golden Boy Merchandise	24
Total Line Items	3,755

* Computer software items are no longer included in stock line items count.

SERVICES

Equipment Rental, Service and Repair

The Agency owns over 23,254 individual pieces of 65 different standard types of home care equipment that are leased and distributed to over 21,290 clients across the Province. MDA staff also service and repair 1,372 individual pieces of office equipment to over 330 government clients.

Transportation, Moving and Office Relocation Services

The Agency's Transportation Services, with Accommodation Development Division and the Workshop Renovations Branch, provide the government with moving services and arranges the relocation of government offices across the Province.

Storage and Distribution Services

MDA offers warehouse storage for clients who require a secure storage facility for items not required on a daily basis. In addition, MDA provides complete warehouse and distribution services for clients who require inventory management, equipment tracking and distribution of supplies to various clients across the Province.

Disposal Services

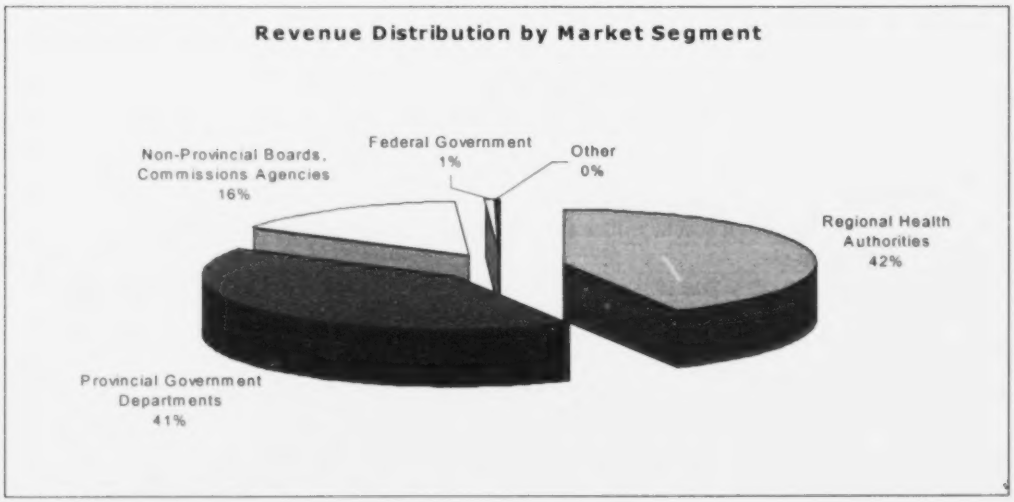
The Agency provides disposal services for material and equipment that are no longer required by the Province. Usable materials are redistributed to other government departments while items with no further use are sold by tender, auction or are sent to a recycling company.

Software License Audits / Orders

MDA has played an administration role for the Microsoft Select and Enterprise Agreements for the Manitoba Government. MDA works with Manitoba Energy Science and Technology to provide administration, auditing and ordering services for over 20,000 end-users across the public sector.

Market Segment Information

Revenue Distribution by Market Segment – Total Revenue 2003/04 $20,782



Warehoused Products – Distribution Information

Total Orders

	2003/04	2002/03
Number of Orders	90,100	82,311
Number of MTBB Orders	16,656	18,916

Location Distribution - Warehoused Products

	2003/04	2002/03
Winnipeg	64%	71%
Rural	36%	29%

Delivery Distribution – Winnipeg Medical Orders

	2003/04	2002/03
Winnipeg (Regular)	61%	63%
Same day	13%	14%
Pickup	26%	23%

2003/04 PROJECTS AND ACTIVITY STATUS

In its Business Plan, MDA identified five critical success factors. The following is a reiteration of the success factors; specific goals set for the year and the activities undertaken to achieve those goals:

Critical Success Factor #1 Human Resources

To clarify job responsibilities and expectations and establish an internal communication strategy that provides staff with relevant and timely information.

Human Resource Goal:

To increase employee satisfaction, foster a respectful workplace and improve internal communication.

2003/04 Activities towards Goal:

- Human Resources Branch (HR) selected MDA as the Department's pilot for Core Competency Modeling. Under HR's guidance, MDA has completed the Role Profiling Phase and many job descriptions have been re-written to reflect competencies.
- Staff have written procedural manuals for the technicians area and computer order entry area.
- MDA has held 10 Management Meetings, 12 Customer Services staff meetings; 4 Contracts and Purchasing staff meetings and 14 Warehouse staff meetings. The Agency has also held seminars on Core Competencies, Change Management, Stress Management and the new Union Agreement.
- MDA celebrated its new location by holding a Grand Opening in September 2003. Staff contributions to the move were recognized at that time.
- The Chief Operating Officer issued ten reports to staff in 2003/04 communicating business information and celebrating staff achievements and personal milestones.

Critical Success Factor #2 Marketing

To grow MDA's business while maintaining or reducing overall government expenditures.

Marketing Goals

To identify, develop and implement marketing strategies and communications geared at providing new products and services required by existing markets.

To identify new customers in order to grow service and product offerings geared at meeting the changing demands of the marketplace. Marketing identified that it had to continue to build strong client relationships, improve the Agency's image and pursue new service offerings and stock new innovative products.

2003/04 Activities towards Goals:

- The Agency attended all scheduled Procurement Council Meetings held in 2003/04.
- Agency representatives have held meetings with Regional Health Authority Officials, the Manitoba Ostomy Liaison Committee and government clients to determine services needs.
- MDA made presentations to the Manitoba Ostomy Association and hosted a booth at two Health Conferences.
- Marketing partnered with three other SOAs to host Dispelling Myths II in November 2003. Over 200 participants attended.
- The Agency prepared a Marketing Survey for implementation in 2004/05 fiscal year and has developed Customer Satisfaction Survey forms for clients of moving services.
- Marketing staff carry out the annual competitive price analysis as part of the catalogue production, and perform on-going price comparisons for new products and make adjustments accordingly.
- MDA issued its Stationery/Janitorial catalogue in June, developed its first MDA Medical catalogue since 1998 and refined its flyer distribution.
- The web site and online purchasing projects are deferred to 2004/05.
- As planned, MDA sought business for new programs. The Department of Health now relies on MDA to warehouse, distribute and inventory its publications base.
- MDA hosted a meeting with a delegation from the Philippines. The delegates were pleased to learn of Manitoba's Home Care Program and the MDA distribution network.
- MDA piloted an e-order system, as a new service offering to increase service and sales. Development of EIA purchasing program continues to expand over last year.

Critical Success Factor #3: Logistics

MDA is a centre of Logistics expertise and uses that expertise to improve warehouse processes and efficiencies.

Logistics Goals

To provide sophisticated and responsive warehouse logistics operation with informed and confident staff, that meet all client service requirements.

To plan and implement process improvement by analyzing industry Best Practices and reducing/eliminating repetition and unnecessary processes.

To provide comprehensive customer satisfaction measurement tools for moving services.

2003/04 Activities towards Goals:

- The Agency completed its move to its new site on May 1, 2003. The new site consolidates all activities under one roof. MDA now has better coordination of staff workloads, process improvements and better control and storage of goods.
- MDA has also introduced a Moving Cost Estimate Form, Change Notice and tracking process to ensure all move costs are provided to clients in a fair and documented process.
- MDA carried out the moves of 308 government offices in 2003/04. MDA's new Customer Service Survey indicates clients are extremely pleased with the attentiveness, attitude and price of MDA's moving services.
- The new Logistics Manager has introduced Kaisan (process improvement) philosophy to MDA warehouse staff and implements staff suggestions for change.
- MDA began tracking picking accuracy rate in January 2004.
- MDA has consistently achieved target turn around times since January 2003.

Critical Success Factor #4: Customer Support Services

To have a centre of client service excellence.

Customer Support Services Goals:

MDA identified that clients want personal contact when they placed orders, staff needed consistent policy and direction, service vehicles were problematic and staff needed training.

2003/04 Activities towards Goals:

- MDA implemented a call centre phone system May 1, 2003.
- The new phone system tracks duration of phone calls, abandoned phone rate and number of calls per section. This data is being collected for analysis.
- New job descriptions were completed by March 1, 2004.
- Development of Learning Paths was deferred to 2004/05.
- MDA implemented service standards for client representatives by October, 2003 and staff have had several training sessions and discussions.
- The Equipment Maintenance Manual and Repair Schedule was implemented by January 2004.
- MDA carried out a review of MDA's vehicles. Two new larger trucks were leased by March 31, 2004. The third vehicle will need a review in 2004/05.
- The mattress and sling cleaning review was carried out by October 2003. As a result, MDA negotiated a lower price for mattress cleaning and determined MDA will continue to clean its own slings.
- MDA has an interim client equipment tracking system now in place. A new model is under development for implementation in May 2004.

Critical Success Factor #5: Purchasing and Contracts

To provide MDA clients with the goods they need, when they need it and at the lowest possible cost.

Purchasing and Contracts Goals:

To develop a section that provides consistent and professional management of MDA goods at the lowest possible cost.

To reduce the number of backorders to MDA clients and additional associated handling and freight costs.

2003/04 Activities towards Goals:

- This area has deferred development of its manual to 2004/05.
- MDA has contracted for 10 new green products to comply with its Sustainable Development goals. MDA also provides recycled paper and toner cartridges.
- MDA completed its Sustainable Development Plan by the deadline and submitted its first progress report.
- MDA has established a working committee with Procurement Services Branch to identify and resolve procurement and supply chain issues.

Critical Success Factor #6: Finance

To have the financial framework that reflects effective and efficient business and administration processes.

Financial Goals

To improve the financial management of the Agency and reflect efficient business and administrative practices.

2003/04 Activities towards Goals:

- MDA has deferred measurement standards review to 2004/05.
- MDA is reviewing all outstanding invoices and begin collection. In 2004, MDA successfully collected approximately $14,000 old Receivables.

Critical Success Factor #7: Technology

MDA has the staff and system that can meet the needs of MDA operations and our clients.

Technology Goals

To provide computer and network support to MDA staff in day to day operations, including upgrade of Sales and Rentals Module.

To implement a technical system with an e-commerce solution to meet market demands and increase organization productivity.

2003/04 Activities towards Goals:

In July 2003, MDA experienced a system crash. During this time Order Entry, Fulfillment and Invoice processing could not be carried out electronically.

MDA purchased a new server and new 7.5 edition of Great Plains. MDA contracted consultants to devise new Medical Order Modules and Equipment Tracking Modules. MDA has devoted considerable staff time to the development, testing and training for this new system.

MDA anticipates first phase rollover May 1, 2004.

All other IT activities were deferred because of this urgent project.

MICT advised MDA all its computers will be refreshed in May and June 2004. This will assist the system upgrade.

Financial Overview

Review of Operations

MDA has seen the volume and breadth of products grow in most commodity lines. Current clients are ordering more of products commonly stocked, while also demanding that MDA expand its lines of goods. As government agencies are asked to contain their spending, they look to MDA to assume warehousing and distributing at a lower cost. In May 2003, MDA moved to its new site to consolidate its operations under one roof. This created an exciting environment in which to work and presented several new challenges for upcoming years.

The following financial review and analysis compare the actual results for the year ended March 31, 2004 to the projections for the same period and to the actual results for the year ended March 31, 2003.

MDA reported net income of $402,000 for the year ended March 31, 2004 compared to a projected $360,000 for 2004 and actual of $410,000 for the year ended March 31, 2003.

	2004 Actual	2004 Projected	2004 Actual vs. 2004 Projected Increase (Decrease)	2003 Actual	2004 Actual vs. 2003 Actual Increase (Decrease)
Sales	$20,782	$20,609	$173	$21,071	$ (289)
Cost of goods sold	16,023	16,078	(55)	16,932	909
Gross profit	4,759	4,531	228	4,140	619
Expenses					
Salaries & benefits	2,852	2,647	205	2,640	212
Operating costs	685	784	(99)	366	319
Administrative	820	740	80	724	96
Total Expenses	4,357	4,171	186	3,730	627
Net income	$402	$360	$42	$410	$(8)

Financial Position

The Agency did not have to use its working capital payable line of credit at any time during this fiscal year. The Agency has no working capital payable outstanding.

Remaining cash generated by operations was used to purchase capital and other assets and to pay revenue sharing amounts to the Consolidated Fund ($400).

Ratio Analysis

Ratio analyses comparing actual to projected calculated amounts are provided in the table below.

The overall gross profit percentage has remained relatively constant in all three years.

Ratio	Actual 2004	Actual 2003	Actual 2002
Return on total revenue	1.94%	1.95%	2.68%
Return on average assets	4.7%	5.4%	6.29%
Gross profit percentage	22.19%	19.65%	20.74%
Debt to equity	.44 to 1	.50 to 1	.42 to 1
Current ratio	1.84 to 1	2.50 to 1	2.69 to 1
Days Sales in receivables	69 days	49 days	48 days
Inventory turnover on warehoused items in FY	7.70 times	7.75 times	5.94 times

Performance Measures

	Actual 2004	Actual 2003	Actual 2002
Turn Around Time (within MDA)			
Health Orders – Urban	1	2	4
Health Orders– Rural	2	3	2
Other goods – Urban	1	3	4
Other goods – Rural	2	5	2
MTBB	3	3	n/a
No. Sales Invoices	88,512	90,918	90,039
No. Inventory Items	3,755*	4,359	2,876
Abandoned Client Phone Calls	27% (not completed)	n/a	n/a

- Computer software items are no longer included in stock line items count.

Materials Distribution Agency
An Agency of the Special Operating Agencies Financing Authority
Province of Manitoba

The Agency's management is responsible for preparing the financial statements and other financial information in the Annual Report. This responsibility includes the integrity and objectivity of financial data and the presentation of the Agency's financial position and results of operations in accordance with generally accepted accounting principles. The financial statements have been audited by The Exchange Chartered Accountants LLP, independent external auditors.

The Agency maintains a system of internal controls throughout its operation that provides reasonable assurance that transactions are authorized, properly recorded and reported, and that assets are safeguarded.

The Advisory Board has scheduled meetings with management to review accounting practices, financial reporting and to discuss audit results. The auditors have free and full access to this Board, to discuss the results of the audit and their views on the adequacy of internal controls and the quality of financial reporting.

Susan Boulter
A/Chief Operating Officer

Joel Hershfield
Manager of Finance and Technology

THE EXCHANGE

chartered accountants LLP

AUDITORS' REPORT

To the Special Operating Agencies Financing Authority

We have audited the balance sheet of Materials Distribution Agency, an Agency of the Special Operating Agencies Financing Authority, Province of Manitoba as at March 31, 2004 and the statements of income and retained earnings and cash flow for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2004 and the results of its operations and changes in cash flow for the year then ended in accordance with Canadian generally accepted accounting principles.

The Exchange

chartered accountants LLP

Winnipeg, Manitoba
June 2, 2004

MATERIALS DISTRIBUTION AGENCY

(An Agency of the Special Operating Agencies Financing Authority - Province of Manitoba)

BALANCE SHEET
(In Thousands)
AS AT MARCH 31, 2004

ASSETS

	2004	2003
CURRENT		
Cash and short term investments	$ 1,054	$ 1,455
Accounts receivable	3,708	3,186
Inventories (notes 2 and 4)	2,015	1,609
Prepaid expenses	63	82
	6,840	6,332
RECEIVABLE – PROVINCE OF MANITOBA (note 3)	288	288
CAPITAL ASSETS (notes 2 and 5)	1,081	754
OTHER ASSETS (notes 2 and 6)	650	486
	$ 8,859	$ 7,860

LIABILITIES

CURRENT		
Payables and accruals (note 7)	$ 3,416	$ 2,407
SEVERANCE LIABILITY (note 10)	234	246
	3,650	2,653

EQUITY

CONTRIBUTED EQUITY (note 8)	1,246	1,246
RETAINED EARNINGS	3,963	3,961
	5,209	5,207
	$ 8,859	$ 7,860

Commitments (note 9)

See Accompanying Notes To Financial Statements

MATERIALS DISTRIBUTION AGENCY
(An Agency of the Special Operating Agencies Financing Authority - Province of Manitoba)

STATEMENT OF INCOME AND RETAINED EARNINGS
(In Thousands)
YEAR ENDED MARCH 31, 2004

	2004	2003
SALES, schedule 1	$20,782	$21,071
COST OF GOODS SOLD	16,023	16,931
GROSS PROFIT	4,759	4,140
EXPENSES		
Salaries and benefits	2,852	2,640
Operating costs	685	375
Administrative expenses, schedule 2	820	715
	4,357	3,730
NET INCOME	402	410
REVENUE SHARING – Province of Manitoba, note 9	(400)	(400)
RETAINED EARNINGS, beginning of year	3,961	3,951
RETAINED EARNINGS, end of year	$ 3,963	$ 3,961

See Accompanying Notes To Financial Statements

MATERIALS DISTRIBUTION AGENCY
(An Agency of the Special Operating Agencies Financing Authority - Province of Manitoba)

STATEMENT OF CASH FLOW
(In Thousands)
YEAR ENDED MARCH 31, 2004

Increase (decrease) in cash and cash equivalents	2004	2003
Operating		
Net earnings	$ 402	$ 410
Amortization	732	660
	1,134	1,070
Change in		
Accounts receivable	(522)	(637)
Inventories	(406)	(276)
Prepaids	19	(49)
Payables and accruals	1,009	476
Severance pay liability	(12)	12
	1,222	596
Investing		
Acquisition of rental equipment	(615)	(432)
Acquisition of capital assets	(196)	(105)
Acquisition of other assets	(412)	(121)
	(1,223)	(658)
Financing		
Revenue sharing to the Consolidated Fund	(400)	(400)
Decrease in cash and short-term investments	(401)	(462)
Cash and short-term investments, beginning of year	1,455	1,917
Cash and short-term investments, end of year	$ 1,054	$ 1,455

See Accompanying Notes To Financial Statements

MATERIALS DISTRIBUTION AGENCY
(An Agency of the Special Operating Agencies Financing Authority - Province of Manitoba)

NOTES TO FINANCIAL STATEMENTS
(In Thousands)
MARCH 31, 2004

1. NATURE OF ORGANIZATION

The Government of Manitoba established a central warehouse operation in 1974. Its mandate was to cost effectively meet the needs of departments and certain boards, commissions and agencies of the Crown, for a variety of commonly used items.

Effective April 1, 1993, Materials Distribution Branch was designated as a Special Operating Agency pursuant to The Special Operating Agencies Financing Authority Act, Cap. S185, C.C.S.M. and operates under a charter approved by the Lieutenant Governor in Council.

The Agency is financed through the Special Operating Agencies Financing Authority (SOAFA). The Financing Authority has the mandate to hold and acquire assets required for and resulting from the Agency operations. It finances the Agency through repayable loans and working capital advances. This financial framework enables the Agency to operate in a business-like manner according to public policy expectations.

A Management Agreement between the Financing Authority and the Minister of Government Services assigns responsibility to the Agency to manage and account for the Agency-related assets and operations on behalf of the Financing Authority.

The Materials Distribution Agency continues to be part of Manitoba Government Services under the general direction of the Assistant Deputy Minister, Supply and Services Division, and ultimately the policy direction of the Deputy Minister and Minister.

The Materials Distribution Agency remains bound by relevant legislation and regulations. It is also bound by administrative policy except where specific exemptions have been provided in its charter in order to meet business objectives.

The Materials Distribution Agency is economically dependent on the Province of Manitoba and the Manitoba Regional Health Authorities deriving most of its revenue and all of its capital financing requirements from the Province.

MATERIALS DISTRIBUTION AGENCY
(An Agency of the Special Operating Agencies Financing Authority - Province of Manitoba)

NOTES TO FINANCIAL STATEMENTS
(In Thousands)
MARCH 31, 2004

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Reporting

The financial statements of the Agency are presented in accordance with Canadian generally accepted accounting principles.

Inventories

Inventories are valued at the lower of cost and net realizable value.

Capital Assets

Capital assets are recorded at cost and are amortized annually at the following rates and bases:

Computer equipment	- 20%, straight-line basis
Fixtures	- 20%, straight-line basis
Office equipment	- 20%, diminishing balance basis
Warehouse equipment	- 20%, diminishing balance basis
Leasehold improvements	- over 5 years, straight-line basis

Non-consumable equipment relating to the Home Care Equipment and Supplies Program are amortized at varying rates in order to reflect the varying periods of useable "life".

Rental equipment	- over 2, 3 or 5 years, straight-line basis

Other Assets

Other assets are recorded at cost and are amortized at the following rate on a straight-line basis:

Computer conversion	- over 5 years
Relocation expenses	- over 10 years

MATERIALS DISTRIBUTION AGENCY
(An Agency of the Special Operating Agencies Financing Authority - Province of Manitoba)

NOTES TO FINANCIAL STATEMENTS
(In Thousands)
MARCH 31, 2004

3. RECEIVABLE – PROVINCE OF MANITOBA

The receivable from the Province of Manitoba is for vacation entitlement earned by the employees of Materials Distribution Agency prior to its designation as a Special Operating Agency. It also includes severance pay benefits earned by the employees to March 31, 1998.

The receivable, or portion thereof, for Materials Distribution Agency will be collected in the event that there is a cash shortfall. However, this is only likely to happen on the dissolution of the Agency.

4. INVENTORIES

	2004	2003
Medical, Lab and X-ray supplies	$ 201	$ 197
Reproductive health supplies	36	25
Medical supplies	607	423
Ostomy supplies	341	247
Equipment consumables	165	88
	1,350	980
Golden Boy	27	60
Stationery	392	335
Forms	78	77
Janitorial	115	119
Furnishings	24	17
New furniture	18	17
Office equipment consumables	11	4
	$ 2,015	$ 1,609

MATERIALS DISTRIBUTION AGENCY
(An Agency of the Special Operating Agencies Financing Authority - Province of Manitoba)

NOTES TO FINANCIAL STATEMENTS
(In Thousands)
MARCH 31, 2004

5. CAPITAL ASSETS

	Cost	Accumulated Amortization	2004 Net	2003 Net
Computer equipment	$ 83	$ 44	$ 39	$ 27
Fixtures	44	41	3	0
Office equipment	35	35	0	1
Warehouse equipment	316	130	186	170
Leasehold improvements	277	199	78	8
	755	449	306	206
Accelerated				
Computer equipment	48	48	0	0
Fixtures	63	63	0	0
Office equipment	22	22	0	0
Warehouse equipment	61	61	0	0
Leasehold improvements	120	120	0	0
	314	314	0	0
Rental equipment	2,722	1,947	775	548
	$ 3,791	$ 2,710	$ 1,081	$ 754

6. OTHER ASSETS

	Cost	Accumulated Amortization	2004 Net	2003 Net
Computer conversion	$ 1,287	$ 854	$ 433	$ 486
Relocation expenses	241	24	217	0
	$ 1,528	$ 878	$ 650	$ 486

7. WORKING CAPITAL PAYABLE

The Agency has an authorized line of working capital advances of $800 of which none was used at March 31, 2004 or 2003.

MATERIALS DISTRIBUTION AGENCY
(An Agency of the Special Operating Agencies Financing Authority - Province of Manitoba)

NOTES TO FINANCIAL STATEMENTS
(In Thousands)
MARCH 31, 2004

8. CONTRIBUTED EQUITY

Loan Authority – April 1, 1993

The Special Operating Agencies Financing Authority (SOAFA) and the Manitoba Provincial Government entered into a Transfer Agreement respecting the transfer from Manitoba to the Financing Authority of inventory and fixed assets valued at $1,464 required for the continuing operations of the Materials Distribution Agency as at March 31, 1993. The Agency repaid the debt portion of $732 (being ½ of the value of the assets) and recorded the balance, $732, as Manitoba's equity in the Financing Authority as related to the Agency operations.

Loan Authority – April 1, 1997

SOAFA and the Manitoba Provincial Government entered into a Transfer Agreement respecting the transfer from Manitoba to the Financing Authority for the net assets of the HCESP valued at $1,027 as at April 1, 1997. The Agency repaid the debt portion of $513 (being ½ of the value of the assets) and recorded the balance, $514, as Manitoba's equity in the Financing Authority as related to the Agency operations.

9. COMMITMENTS

Leased Premises

On March 24, 2003 The Agency took partial possession of a rental property consisting of 76,067 square feet at 1715 St. James Street, Winnipeg, Manitoba. The lease is for a term of 10 years with an additional 5-year option commencing May 1, 2003. Occupancy charges are an annual $453 payable in monthly instalments.

Revenue Sharing

The Agency's approved 2004/05 Business Plan calls for $400 in revenue sharing to be paid in quarterly instalments to the Consolidated Fund during 2004/05.

MATERIALS DISTRIBUTION AGENCY
(An Agency of the Special Operating Agencies Financing Authority - Province of Manitoba)

NOTES TO FINANCIAL STATEMENTS
(In Thousands)
MARCH 31, 2004

10. SEVERANCE LIABILITY

Effective April 1, 1998 the Agency commenced recording accumulated severance pay benefits for its employees. Severance pay is determined by multiplying years of service, to a maximum of fifteen years, by the weekly salary at date of retirement, provided the employee reaches nine years of service and retires from the Agency. The estimate is based upon the method of calculation set by the Province of Manitoba.

The Province has accepted responsibility for the severance benefits accumulated by the Agency's employees to March 31, 1998. That responsibility is reflected by a $288 receivable from the Province.

An actuarial report was completed February 2001 calculating the severance pay liability balance as at March 31, 2000. This actuarial report provided a formula to update the liability on an annual basis. In accordance with the formula, the Agency's actuarial liability has been calculated to be $234 as at March 31, 2004 (2003 - $246).

11. PUBLIC SECTOR COMPENSATION DISCLOSURE ACT

It is a requirement of the Public Sector Compensation Disclosure Act that annual public disclosure be made of individual compensation in an amount exceeding $50 annually to any officer or employee of the Agency. For the year ended March 31, 2004, the following employees received compensation in excess of $50.

Name	Position	2004	2003
Ailyn Almendral	IT - Systems Administator	$ 53	$ 0
Susan Boulter	A/Chief Operating Officer	78	73
Joel Hershfield	Manager of Finance and Technology	62	59
Ted Norrington	Financial Analyst	53	0
Kathy Demchuk	Marketing Manager	56	56

12. INTEREST RECEIVED

The Agency received interest during the year of $27 (2003 - $45).

Schedule 1

MATERIALS DISTRIBUTION AGENCY
(An Agency of the Special Operating Agencies Financing Authority - Province of Manitoba)

SCHEDULE OF SALES
(In Thousands)
YEAR ENDED MARCH 31, 2004

	2004	2003
Warehouse Items		
Medical, Lab and X-ray	$ 1,396	$ 1,560
Medical forms	100	104
Reproductive	141	113
Medical supplies	4,289	3,807
Ostomy supplies	1,863	1,722
Equipment consumables	727	222
	8,516	7,528
Stationery	1,897	2,031
Forms	85	143
Janitorial	814	711
Furnishings	99	70
Office equipment consumables	84	63
Software and computer supplies	2,555	4,528
Special Project - Golden Boy	36	99
Miscellaneous	0	1
	14,086	15,174
Direct (factored sales)		
Stationery	898	759
Medical, Lab and X-ray	60	97
Janitorial	312	279
Furniture, new	1,439	970
	2,709	2,105
Other Revenue		
Manitoba Textbook Bureau	272	265
Home Care equipment rentals	1,814	1,635
Office equipment – copy centres	739	695
Office equipment – maintenance program	103	118
Used furniture	15	29
Disposal	10	8
Moving and freight	866	907
Storage	48	58
MHP 65	0	
Other Income	55	77
	3,987	3,792
TOTAL REVENUE	$ 20,782	$ 21,071

Schedule 2

MATERIALS DISTRIBUTION AGENCY
(An Agency of the Special Operating Agencies Financing Authority - Province of Manitoba)

SCHEDULE OF ADMINISTRATIVE ESPENSES
(In Thousands)
YEAR ENDED MARCH 31, 2004

	2004	2003
ADMINISTRATIVE EXPENSES		
SOAFA fees	$ 2	$ 2
Professional services	13	13
Amortization	345	280
Computer	256	263
Office	92	61
Promotion and marketing	48	44
Telephone	50	46
Training and education	14	6
	$ 820	$ 715